DRA believes that a one-day workshop should be convened to provide the CLCs and LECs an opportunity to address the issues identified by DRA.

The Coalition did not address 611 Repair Service and Reporting requirements for facilities-based competition although it did address the issue in reference to resale-based competition in its Phase II reply comments. Information was provided in Pacific's comments regarding how two CLCs, Teleport Communications Group (TCG) and Metropolitan Fiber Systems (MFS) intend to provide 611 service.

If a customer of another LEC or CLC contacts MFS in error, MFS will refer the caller to an 800 number that is associated with Pacific's 611 repair bureau. (MFS will provide its own customers with a toll free repair service referral number.) Once the end user reaches the Pacific repair bureau, his or her call will be handled as specified in the Pacific procedures outlined above.

TCG intends to provide its customers with a toll-free number to call to report TCG service problems. Calls to 611 on TCG lines would be answered by an intercept message such as one of the following:

> "If you are a TCG customer who wishes to report a service problem, please call 1-800-NXX-XXXX. [TCCG's toll-free repair number.] If you are the customer of another company, you will need to call that company's repair number, which you should be able to find on your monthly bill."

or

> "If you are a TCG customer who wishes to report a service problem, please call 1-800-NXX-XXXX. [TCG's toll-free repair number.] If you are the customer of another company, please call 1-800-NXX-XXXX."

This second 800 number would be Pacific's 800 repair service number. Pacific's AVRU process would then begin as outlined above in the description of our procedures.

Discussion

It is essential that all local exchange customers have ready access to repair services whether they are the customer of a LEC or a CLC. As a prerequisite to initiating service, we shall require each certificated CLC to be equipped to respond promptly to their customers' 611 repair service calls. The CLC can either utilize their own service technicians or enter into contractual arrangements to have repair orders serviced promptly.

We shall adopt DRA's proposal that ample customer notice be given as to how the 611 system is to work with the introduction of multiple local exchange service providers. Accordingly, each CLC shall be required to disclose the procedure for contacting repair service at the time the customer initiates service as well as on the monthly customer bill. In the Consumer Protection Rules we adopted in this proceeding on April 26, 1995, we required each CLC to provide a phone number that the CLC's customers could call for billing or other service inquiries. We shall require at a minimum that CLCs use this number as a contact for customers to call for repair service.

We are satisfied that Pacific's proposed 611 referral system provides a workable interim solution for directing CLC customers who dial "611" and reach Pacific's Repair Service. Although GTEC does not have the CCSN and associated data bases to allow it to provide a service similar to that of Pacific, we expect it to institute a referral system to direct CLC customers to the appropriate CLC or to their phone bill for the number of the appropriate CLC for service. Alternatively, if the CLC's identity is unknown, GTEC shall direct the caller to the phone number of the Commission's Consumer Affair's Branch for further assistance. Likewise, we expect each CLC to show the same cooperation in

directing calls of other competitors' customers who may call seeking repair service.

Our adopted rules with respect to 611 service addressed in this decision apply only to facilities-based CLCs. We recognize that additional concerns may need to be addressed with respect to the provision of 611 service by resale-based CLCs. We shall review parties' Phase II comments regarding rules for resale competition and assess the need for a workshop or other input before adopting any additional 611 repair service rules applicable to CLC resellers in our Phase II decision scheduled for early 1996.

D. Deaf and Disabled Telecommunications Program (DDTP) Program

On October 18 and 19, 1995, a workshop was conducted as directed by ALJ ruling to address how the Deaf and Disabled Telecommunications Program (DDTP) is to be administered to assure adequate service access by the deaf and disabled population with the advent of competitive local exchange service. A workshop report was produced on December 11, 1995. The workshop participants reached the following consensus:

- For a short, interim period, CLCs should contract with one of the incumbent providers to offer equipment and services to eligible deaf and disabled customers as part of the DDTP.

- CLCs can choose from the following incumbent providers: Pacific, GTEC, California Telephone Association (CTA) or Thomson Consulting which performs DDTP functions for CTA.

- Each CLC shall include in its tariffs provisions specifying how it will provide DDTP services.

- The DDTP should be authorized to submit a request to modify its 1996 Budget, if necessary, to estimate any changes in costs associated with accommodating interim participation by CLCs.

- Future workshops should be held early in 1996 to determine how CLCs should participate in the DDTP over the long term.
- The Commission will inform all CLCs of their responsibility to collect and remit surcharge revenues.

We have reviewed the consensus findings and adopt them without change.

V. Additional Rules Governing CLC Entry and Regulation

A. CLC Financial Responsibility Requirements

The Commission's Interim Rules for local exchange competition set forth in D.95-07-054 require CLCs to meet certain financial standards in order to obtain a CPCN. In particular, facilities-based CLCs are required to possess a minimum $100,000 of cash or cash equivalent, while resale CLCs must have a minimum of $25,000 of cash or cash equivalent. In addition, all CLCs must demonstrate they have the resources needed to cover any deposits required by LECs and IECs.[12] In D.95-07-054, we permitted parties to file additional comments on Pacific's and GTEC's proposed additional financial requirements for CLCs that are more stringent than those adopted in our Interim Rules.

Parties' Positions

Pacific

Pacific seeks authority to charge CLCs a deposit in order to protect Pacific and its customers from losses should a CLC business fail. The amount of the deposit would not exceed the actual or estimated rates and charges for a two-month period. Pacific would require no deposits from customers who have

12 D.95-07-054, Appendix A, Section 4.B.(1) & (2).

previously established credit with Pacific and have no history of late payments to Pacific. As justification for its proposed deposits from CLCs, Pacific states it currently has identical deposit requirements for those using its intrastate access tariffs.

GTEC

GTEC recommends that CLCs should be required to post a bond of $1 million in order to receive a CPCN to provide local exchange services. GTEC believes a substantial bond is necessary in order to protect consumers, LECs, and other carriers in the event the CLC becomes insolvent.

As evidence of the need for a substantial bond requirement, GTEC points to the recent example of Sonic Communications (Sonic). According to GTEC, Sonic switched long distance service from other carriers to Sonic without the customers' consent, a practice known as slamming. The rates charged by Sonic were generally two to three times those of the customer's former long distance carrier. Sonic's slamming eventually caused the Commission to open I.95-02-004. During the course of its investigation, the Commission asked GTEC to compile a list of Sonic's customers and to estimate the cost necessary to rerate the calls of Sonic's customers. GTEC eventually determined its cost for rerating to be over $1 million. Sonic ultimately filed for bankruptcy, leaving no funds to cover GTEC's costs for rerating or for refunds to Sonic's customers. According to GTEC, even if Sonic had posted a $1 million bond, this would have been insufficient to cover the cost of identifying the customers, rerating their calls, and reimbursing the customers. The lesson of Sonic, according to GTEC, is that the damage done by an unscrupulous carrier can mount quickly, and that a $1 million bond requirement is therefore reasonable.

Citizens

Citizens supports the Commission's financial standards for determining the financial competence of CLC applicants.

Citizens recommends that CLC applicants who meet Commission criteria should not be subject to additional LEC-imposed requirements.

Coalition

The Coalition is opposed to the CLC bonding requirements proposed by Pacific and GTEC. The Coalition believes the large bond amounts proposed by the two LECs are meant to be anticompetitive by raising a barrier to CLC market entry and burdening CLCs with additional costs once they enter the market.

In arguing against the LEC's proposed bonding requirement, the Coalition states that the Commission has never adopted a bonding requirement to protect LECs from the risk of insolvency by either facilities-based or reseller IECs, and there is no need to adopt such a requirement for CLCs either. The Coalition recognizes that a bond could help protect customer deposits in situations where a CLC required customer deposits before providing service. However, the Coalition believes such situations will be rare since a competitive environment will make it difficult if not impossible to require customer deposits. The Coalition believes that the safety of customer deposits can be properly addressed in the Commission's Rulemaking on customer deposits, R.85-08-042.

UCAN

UCAN recommends modification of the Commission's Interim Rules to include a requirement for CLCs to post a bond sufficient to protect customer deposits. The amount of the bond can be initially set by looking at the area to be served and the deposits the new entrant will be charging. Once service begins, UCAN states the bond amount can be adjusted based on actual data and the amounts held by the new entrant.

To protect LECs, UCAN suggests that new CLCs be required to obtain a performance bond. The amount of such a bond would be based on estimated three months of flat or usage related

interconnection charges. The posting of a bond would remove the necessity of LECs charging a deposit for interconnection costs and fees.

UCAN is sympathetic to the concerns expressed by Pacific and GTEC regarding CLC bonding requirements, but finds each LEC's bonding proposal to be too extreme. UCAN opposes GTEC's $1 million bond requirement because UCAN finds it too arbitrary. UCAN supports Pacific's proposal that the bond be based on estimated interconnection costs, but opposes Pacific's recommendation that the bond be required of CLCs in addition to deposits made to the LECs. UCAN views a requirement of both bonds and deposits to be unnecessary and a possible barrier to entry.

Toward Utility Rate Normalization (TURN)

TURN, a member of the Coalition, offered its own separate recommendation regarding the safety of customer deposits. TURN proposes a requirement that any customer deposits collected by the CLC be placed in a protected, segregated interest-bearing escrow account subject to Commission oversight. If this approach fails to protect customers adequately, TURN recommends that other means should be explored to ensure the safety of customer deposits. TURN shares the Coalition's concern that the LECs have proposed a bonding requirement for anticompetitive reasons.

Discussion

In considering parties' proposals for imposing additional financial requirements on CLCs, we must balance countervailing factors. On the one hand, we seek to adopt rules which will enhance the incentive for the competitive entry of a large number of service providers. Imposing unduly large financial restrictions on CLC entrants may tend to inhibit market entry and impede the growth of a competitive market. On the other hand, our adopted rules must ensure that the public is protected against degradation of service quality as a result of the lack of technical or financial integrity of a certificated CLC. On balance, while we

believe some additional protections are warranted, we conclude that the proposals of GTEC and Pacific are overly restrictive and would unnecessarily inhibit the growth of promoting local exchange competition.

We decline to adopt GTEC's proposal for a $1 million bond requirement. GTEC fails to provide evidence that a $1 million bond is required from every certificated CLC. GTEC's example of Sonic Communications, while real, is one case of an apparently unscrupulous IEC causing serious financial harm in California. GTEC provides no analysis of the expected magnitude or likelihood of similar costs it might incur in the future as a result of CLC entry. Imposition of GTEC's proposed $1 million bonding requirement on every CLC would therefore result in arbitrary and excessive restrictions on CLC entry and impede our goal promoting of local exchange competition.

While we find GTEC's proposed $1 million bonding requirement unacceptable, we conclude that some additional level of financial protection is appropriate. We conclude that Pacific's proposal to require CLCs ordering interconnection service to pay a deposit under terms patterned after Pacific's intrastate access tariff provides a more reasonable approach to protecting against the risks of insolvent CLCs. Under Pacific's proposal, CLCs ordering interconnection service would pay a deposit equal to an estimated two months of recurring flat-rated or usage-based interconnection charges based on the number and type of interconnection facilities ordered from the LEC. Unlike the proposal of GTEC, Pacific's proposal is not arbitrary. Pacific's proposal would tailor the amount of the deposit to the actual rates and charges incurred by the CLC. It would also only apply where no prior credit record had been established by the CLC. Pacific's proposal is consistent with our July 1995 Interim Rules which require CLCs to document that they possess the resources necessary to cover the deposit requirements of LECs and IECs. Pacific may not, however, require a bond in addition to deposits.

We shall also adopt the proposal of TURN to require that any customer deposits collected by a CLC be deposited in a protected, segregated interest-bearing escrow account subject to Commission oversight. This requirement will protect customers and provide assurance that customer deposits are not commingled with other company funds or otherwise available for unauthorized uses. We shall direct CACD to establish reporting procedures to monitor compliance with this order.

B. Bilingual Policies

In prehearing statements filed August 9, 1995, and in remarks at the prehearing conference of August 11, 1995, Public Advocates proposed that the Local Competition docket resolve certain universal service issues concurrently with the initiation of local competition in January 1996. In the ALJ Ruling of August 18, 1995, parties were allowed to submit comments regarding Public Advocates' proposal to require CLCs to prevent redlining and provide bilingual customer information notices to non-English-speaking customers, particularly as to basic and lifeline service. We have reviewed parties' comments and address them as outlined below.

Parties' Positions

Public Advocates recommends that the Commission specify bilingual service requirements for LECs and CLCs from the outset of competition in order to achieve the Commission's 95% universal service goal for the non-English speaking population. The specific bilingual service requirements recommended by Public Advocates are as follows:

> (1) Every CLC should inform each new customer, and regularly inform existing customers, of the availability, terms, and statewide rates of lifeline telephone service and basic service. Public Advocates recommends that this information (and other information such as bills and notices) be provided to non-English-speaking customers in the common languages spoken within the exchange or larger territory, including Spanish,

Cantonese, Mandarin, Tagalog, Vietnamese, and Korean.

(2) Each carrier must have bilingual customer service representatives available in the common languages of the exchange.

(3) Each carrier must conduct targeted marketing and outreach to non-English speaking populations.

Pacific

Pacific recommends that the Commission forego a mandate for the provision of bilingual services. In Pacific's view, the demands of the California market, and not a Commission order, should dictate whether bilingual customer services are offered. Pacific states that it currently provides and will continue to offer bilingual services to its customers.

GTEC

GTEC believes that standardized bilingual customer outreach and information would likely be ineffective in the new competitive market in which CLCs may be serving areas that are widely divergent in population make-up. According to GTEC, the bilingual customer market is rapidly growing and will be eagerly sought by many carriers. GTEC recommends that competitors not be hamstrung by standardized bilingual outreach requirements. Instead, competitors should be able to distinguish themselves in the bilingual market through innovative marketing efforts and services targeted to bilingual customers. GTEC believes that the annual reports required of the CLCs and LECs should allow the Commission to adequately monitor the sufficiency of the industry's bilingual customer outreach and information efforts.

Citizens

Citizens recommends that the Commission impose no multilingual customer information requirements on the CLCs. Citizens states that since CLCs have no captive customers, they will have an incentive to market effectively and provide good

quality customer service to all potential customers. According to Citizens, production of multilingual customer outreach information will be incented by a marketplace driven by California' changing demographics.

Coalition

The Coalition supports the Commission's approach to bilingual customer outreach and education, and believes that it is premature to impose a more stringent requirement on CLCs.

Discussion

Our current Interim Rules for local exchange competition as adopted in D.95-07-054 require that CLCs making a sale in a language other than English provide the customer with a letter written in the language in which the sale was made describing the services ordered and itemizing all charges which will appear on the customer's bill. No other bilingual information or outreach rules were imposed. We will expand this to include a requirement for local carriers to inform each new customer, in writing and in the language in which the sale was made, of the availability, terms, and statewide rates of Universal Lifeline Telephone Service and basic service. On an ongoing basis, each local carrier shall also provide bills, notices, and access to bilingual customer service representatives in the languages in which prior sales were made. We adopt these additional requirements as appropriate steps in achieving our goal of improving the penetration rate of basic service to non-English speaking households. We do not believe, however, that the new requirements will impede the development of local competition. Indeed, our new requirements may facilitate competition by enabling carriers to better address the needs of underserved markets, thereby expanding the total number of residential customers, which in turn should attract additional providers of local telephone service.

We will not address here Public Advocates' proposals concerning bilingual service requirements for customers to whom

service was sold in English only, nor proposed across-the-board requirements for bilingual marketing and outreach. We believe these matters merit further consideration, but are better addressed in our Universal Service proceeding, R.95-01-020/I.95-01-021, where Public Advocates has presented the same recommendations as in this proceeding.[13] In our Universal Service proceeding, we proposed rules that would require all local carriers to be responsible for achieving our goal of 95% penetration rate among non-English speaking households, and that each carrier's efforts to communicate in the native languages of non-English speaking customers would be considered by the Commission in assessing each carrier's contribution to meeting our Universal Service targets.[14] We anticipate issuing final rules for Universal Service by approximately June 1996. In the meantime, we are optimistic that California's diverse population presents rich opportunities that will attract multiple providers offering bilingual services tailored to each market segment. Also, since the facilities-based CLCs are only beginning the process of obtaining customers, waiting until a decision in the Universal Service docket is issued is unlikely to have any serious impact.

C. **Redlining Prohibitions**

Positions of Parties

Public Advocates

Redlining occurs when there is an absence of competition in a given community because of a failure to provide marketing and outreach efforts to minorities, non-English speaking, and low-income populations. Public Advocates believes that redlining practices are being extended to enhanced and broadband services. To overcome redlining, Public Advocates recommends the following:

13 See Public Advocates' Comments on D.95-07-050 and Proposed Rules, pp. 8, 23, and Appendix A to their comments.

14 D.95-07-050, Appendix A, Section 3.B.

- Each carrier must be responsible for the Commission's goal of at least 95% telephone penetration in poor, non-white, and non-English-speaking households.

- Each carrier must actively market its telephone services to the above identified households and small businesses throughout each exchange or larger territory in which it operates.

- Each carrier must develop and submit one-year, two-year, and five-year business plans with detailed targets towards obtaining the Commission's goal among poor, non-white, and non-English-speaking households, and meeting the minimum specified criteria in D.94-09-065.

- The Commission should annually assess the degree to which carriers have or have not met their universal-service goals in California's poor, non-white, and non-English-speaking communities, and should exercise their authority to ensure that their universal service goals are actively and effectively pursued.

- The Commission should analyze the service territory maps of all carriers to determine if there are areas suffering from an absence of competition. If such areas exist, the Commission should require carriers who serve territories bordering these redlined communities to expand their territories to encompass these undeserved communities to increase competitive choice.

- Enhanced telecommunications services such as digital, broadband, and fiber or fiber-coax services must become part of basic service when such service is available to (even if not yet purchased by) 51% of the customers in the exchange, neighborhood, city, council, county, metropolitan area, or larger territory such as a LATA.

- Each carrier that is developing or building out new telecommunications technologies or services (hardware or software) must do so

without discrimination in access on the basis of income, race or ethnicity, or geography.

- Enhanced telecommunications services must be available to qualified lifeline customers at lifeline rates, i.e., no more than 50% of the regular price.

Pacific

Pacific recommends that the Commission review several factors if the allegation of redlining arises. For example, Pacific suggests that the Commission investigate whether adjacent communities are receiving the same technology and consider how many providers can economically provide a certain service to a community. The key, for Pacific, is to differentiate between intentional discriminatory conduct and the demands of a competitive market.

GTEC

GTEC believes that the detection and prevention of redlining can be achieved in a competitive local market. GTEC cautions, however, that the new competitive environment requires careful application of the Commission's redlining policy. The Commission has allowed CLCs to narrowly designate their serving areas, thus the Commission must be careful not to consider as redlining those situations where it may not be economically feasible or advantageous for the CLCs to deploy advanced service beyond their designated service territories.

Citizens

To safeguard against redlining in the provision of basic residential service, Citizens recommends that every provider of basic residential services be required to provide these services on a nondiscriminatory basis within the areas being served by that carrier. Citizens believes that universal access to optional services and more advanced technology is a matter of social policy

beyond the scope of normal regulation and should be entrusted to the Legislature.

Coalition

The Coalition states that the unreasonable discrimination inherent in the practice of redlining should not be tolerated. The Coalition also stresses that companies should not be penalized for any failure to serve that is not due to an intent to redline, but is the result of technical or economic barriers to immediately extending service to an entire service area.

The Coalition believes that the review of service territory maps as proposed by Public Advocates would be an ineffective means of addressing the issue of redlining. In the Coalition's view, it is too early to contemplate a review of service territory maps for the purpose of detecting redlining. The Coalition notes local competition has yet to start, and competition will require time to take hold. In addition, critical technical and pricing issues need to be ironed out before anyone will be able to tell whether the interim rules create the conditions necessary to allow CLCs to serve the areas they want to service. The Coalition states that the Commission has better means of detecting and addressing redlining than service area maps, and these are being thoroughly addressed in the universal service proceeding.

2. **Discussion**

The Commission's Interim Rules for local exchange competition set forth in D.95-07-054 required CLCs to provide service to all customers requesting service within their designated service territory on a non-discriminatory basis.[15] However, the Interim Rules adopted in D.95-07-054 contained no specific provisions regarding the detection and prevention of redlining.

15 D.95-07-054, Appendix A, Section 4.F.(1).

We are unalterably opposed to redlining and shall prohibit it. We are optimistic, however, that competitive carriers will act in their own best interests and pursue the growing opportunities found in serving California's diverse population in a nondiscriminatory manner. But pursuing these opportunities will take time, effort, and investment. Many critical issues still need to be worked out, such as a permanent INP solution, that may hinder carriers from expanding as fast or serving as many as they might otherwise. Carriers first need to be given a fair chance to serve California before we can meaningfully examine whether carriers are intentionally engaging in redlining.

We therefore decline to implement Public Advocates' proposal to investigate at the outset of local competition all CLCs' service territory maps for redlining. Public Advocates' other proposals concerning redlining[16] are better addressed in our Universal Service proceeding. We emphasize that our directing Public Advocates to pursue its proposals in the Universal Service proceeding should not be viewed by CLCs or others as a signal of any slackening in our commitment to oppose redlining. We have referred certain proposals to the Universal Service proceeding because they are closely related to the issues of universal availability and affordability of service. We reiterate our intent to take strong action against any carrier we find engaged in redlining.

Findings of Fact

1. D.94-12-053 formally adopted a procedural plan to implement the Commission's stated goal of opening all telecommunications markets to competition by January 1, 1997.

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4 Public Advocates presented the same proposals regarding redlining in the Universal Service docket. See Public Advocates' Comments on Decision 95-07-050 and Proposed Rules, Appendix A.

2. R.95-04-043/I.95-04-044 was instituted to develop and adopt rules for competitive local exchange service.

3. D.95-07-054 adopted initial rules in certain limited areas sufficient to enable prospective CLCs to file petitions for authority by January 1, 1996 to enter the local exchange market.

4. Additional interim rules and guidelines are needed regarding interconnection and related service features to facilitate the entry of CLCs into the local market January 1, 1996.

5. Local exchange networks should be interconnected so that customers of any local exchange carrier can seamlessly receive calls that originate on another local exchange carrier's network and place calls that terminate on another local carrier's network in an efficient manner without dialing extra digits.

6. Pacific and GTEC filed proposed interconnection tariffs on September 18, 1995 for comment.

7. A technical workshop on interconnection issues was held November 28, 1995.

8. Adopted interconnection rules which promote a competitive marketplace should be fair, balanced, and flexible enough to accommodate different carriers' needs and constraints.

9. In order for facilities-based CLCs to be able to offer competitive local service, they must not only have a physical interconnection with the network of an incumbent LEC, but also have access to other related services including E-911, 611 repair service, and directory access.

10. Allowing competitors to negotiate interconnection contracts subject to appropriate Commission rules and guidelines will create a more level playing field.

11. Contracts will lead to more flexible and economic interconnection arrangements than a more rigid tariff structure.

12. Negotiated agreements run the risk of triggering delay for strategic reasons.

13. The environment most conducive to a level playing field is one in which parties have the flexibility to negotiate terms and conditions for interconnection which are best suited to their specific needs.

14. The bargaining power of CLCs relative to LECs in negotiating interconnection can be impacted by the manner in which the interim rules are structured.

15. Each negotiating party has an economic incentive to seek the most efficient and economical POI configuration.

16. Three general arrangements for interconnection are: collocation, special access facilities and jointly constructed facilities.

17. At certain traffic volumes, it is more efficient to directly interconnect with an end office than to route traffic through a tandem.

18. Parties should seek to agree upon a cut-over traffic volume beyond which CLCs would be required to directly interconnect with LEC end offices.

19. Two-way trunks will generally be more efficient and flexible for purposes of implementing interconnection arrangements for local exchange competition.

20. The measurement of local traffic is technically feasible on two-way trunks.

21. With a two-way trunk, Pacific's existing software would not accommodate the differentiation between local and toll traffic.

22. GTEC could measure total incoming traffic volumes with two-way trunks, but would be unable to measure the percentage attributable to local usage.

23. In order to preserve the option of subsequently instituting call termination charges in the future, there must be some means of measuring local traffic under any adopted trunking arrangement.

24. The measurement of local versus toll traffic when using a two-way trunk will require an exchange of information between LECs and CLCs as to total traffic volumes and percentage of local usage (PLU).

25. The exchange of data on total traffic volumes and percentage of local usage between CLCs and LECs which terminate traffic on others' network is appropriate.

26. A party may dispute another carrier's reported PLU or volume data and request an independent audit.

27. The implementation details of a monitoring and verification program for the reevaluation of the bill and keep policy will be addressed in a subsequent order.

28. The risks of misforecasting demand with two-way trunks can be accommodated through appropriate joint planning and forecasting measures with possible sanctions imposed for failure to provide reasonable forecasts.

29. There is no indication that any prospective CLC is presently seeking to deploy a new network using Multifrequency (MF) signalling as its preferred interconnection

30. MF signalling is not commonly used in modern telecommunications networks.

31. In D.95-07-054, for purposes of establishing bill and keep, local calls were defined by reference to the definitions currently used by LECs.

32. Extended Area Service (EAS) and ZUM Zone 3 service, properly constitute local calls subject to bill and keep provisions. Directory assistance, 800 number calls, busy verification and emergency interrupt, are not subject to bill and keep.

33. GTEC cannot avoid the bill and keep rule merely because an otherwise local call is routed through its tandem switch.

34. It is essential that all local exchange customers have ready access to E-911 service and to repair services whether they are the customer of a LEC or a CLC.

35. Pacific's proposed 611 referral system provides a workable interim solution for directing CLC customers who dial "611" and reach Pacific's Repair Service.

36. D.95-07-054, OP 8, the Commission directed that:

> "DRA shall notify the Commission by October 1, 1995 as to whether the [G.O. 133-B] Committee has reached consensus on recommendations for additional standards for interconnection service orders."

37. On October 2, 1995, DRA reported on the progress of the GO 133-B Review Committee in developing interconnection standards, indicating that the participants agreed on only two limited matters, namely:

a. The service quality standards for Intercompany Interconnection Held Service Orders should be included in a separate section of GO 133-B.

b. Participants reaffirm that all LECs and CLCs shall be subject to GO 133-B Intercompany Interconnection Held Service Order reporting standards.

38. The assigned ALJ issued a ruling on November 13, 1995, directing parties to file written comments addressing additional standards for interconnection service orders.

39. Interconnection among local carriers is a prerequisite for the development of local exchange competition, and is fundamental to the deployment of a ubiquitous public communications network connecting all Californians to one another and beyond.

40. Contracts provide the flexibility necessary to accommodate the many different network interconnections

arrangements necessary for the LECs and CLCs to interconnect between and among each other.

41. For effective local competition to exist, interconnection must take place in an efficient and timely manner.

42. It would be unrealistic to specify a standard provisioning time for each of the innumerable intercompany interconnection arrangements that are possible.

43. Service orders held for 15 days may indicate a service quality problem that should be investigated by the CPUC.

44. Held service orders may have significant negative impacts on the quality of service provided to the customers of the entity requesting interconnection.

45. A monthly IIHSO reporting requirement is reasonable.

46. IIHSOs held longer than 15 days will negatively impact competitors who relied upon the promised due date in making their own service commitment dates to their customers.

47. The Commission's current service quality auditing measures are sufficient for verifying the accuracy of carrier-to-carrier service standard reports.

48. Since this decision establishes service standards and reporting units, DRA's recommendation for additional GO 133-B Committee meet-and-confer sessions is unnecessary.

49. The Commission's Interim Rules require facilities-based CLCs to possess a minimum $100,000 of cash or cash equivalent, while resale CLCs must have a minimum of $25,000 of cash or cash equivalent.

50. In addition, all CLCs must demonstrate they have the resources needed to cover any deposits required by LECs and IECs.

51. Imposing unduly large financial restrictions on CLC entrants may inhibit market entry and impede the growth of a competitive market.

52. The Commission's adopted rules must ensure that the public is protected against degradation of service quality as a result of the lack of technical or financial integrity of a certificated CLC.

53. GTEC's proposal for a $1 million bond requirement for CLC entry is unduly arbitrary, restrictive, and could inhibit the entry of CLCs.

54. While GTEC's bonding proposal is unsupportable, some additional level of financial protection beyond the existing rules is appropriate.

55. Interim Rules adopted in D.95-07-054 require that CLCs making a sale in a language other than English provide the customer with a letter written in the language in which the sale was made describing the services ordered and itemizing all charges which will appear on the customer's bill.

56. In the interests of promoting competitive local exchange service among prospective customers whose native language is other than English, it is appropriate to expand the existing rule to require CLCs to inform each new customer in writing in the language in which the sale was made of the availability, terms and statewide rates of lifeline telephone service and basic service.

57. Redlining refers to the discriminatory provision of telecommunications services whereby areas characterized by minority customers might not be afforded access to the same types or quality of telecommunications services offered to customers in non-minority areas.

58. The Commission's Interim Rules for local exchange competition set forth in D.95-07-054 required CLCs to provide service to all customers requesting service within their designated service territory on a non-discriminatory basis.

59. The Interim Rules adopted in July 1995 contain no specific provisions regarding the detection and prevention of redlining.

Conclusions of Law

1. To balance parties' relative bargaining power in negotiating mutually satisfactory interconnection arrangements, it is appropriate to adopt a set of "preferred outcomes" as set forth in Appendix A which produce the most efficient and economic solutions overall and which are in the public interest.

2. In reviewing and approving interconnection contracts, the Commission should consider how well a contract achieves the "preferred outcomes" established herein. Contracts that reflect terms which are different from the "preferred outcomes" will still be approved, however, if it is mutually agreeable to both parties and passes other Commission tests as outlined in this decision.

3. The CLC and LEC should have the discretion to mutually determine the number of POIs and where they should be located.

4. Expedited dispute resolution procedures should be adopted to deal with those instances where parties are unable to mutually agree upon the technical terms of interconnection or where a party may have breached its contract for interconnection services.

5. Under any interconnection arrangement, parties should develop compensation provisions that appropriately reflect the usage of facilities.

6. While a dispute is pending before the Commission, each party may designate its own separate POI for terminating local traffic on another's network, if mutually agreeable.

7. The POI arrangement that optimizes efficiency for both sides has the best chance of being approved by the Commission.

8. The adopted rules should provide an incentive for each party to seek the least cost solution in determining the need for and cost of new facilities for interconnection.

9. If a CLC wants to use a LEC's tandem to route a call to another CLC, the LEC may impose a charge to compensate for the service.

10. Pacific and GTEC will accommodate MF signalling at their offices that are not SS7 capable.

11. An expedited contract review process should be established which balances incentives for flexible, competitive negotiations with the protection of the public interest.

12. Commission review is necessary to assure that contracts are not unduly discriminatory or anticompetitive.

13. Contracts that have been either approved or rejected are nonprecedential and should not affect the review of any currently pending contract.

14. After receiving a rejection letter, the parties may address the points raised in the letter and refile the amended contract.

15. For contracts that present novel issues or issues that would require CACD to exercise a degree of judgment beyond that of a ministerial role, CACD may also provisionally reject a contract to prevent the contract from becoming effective in 14 calendar days, to allow time for CACD to prepare a resolution with its recommendation for Commission consideration and decision.

16. Under the expedited review procedure, filed contracts automatically become effective 14 calendar days after filing, unless CACD acts to reject the contract.

17. Symmetrical rights and obligations should apply to LECs as well as CLCs in the exchange of information related to interconnection which is claimed to be confidential.

18. Interconnection contracts should contain symmetrical provisions for the treatment of confidential material.

19. Each party shall be responsible for designating which information it claims to be confidential to other parties receiving the information.

20. If parties are unable to agree as to what information should be treated confidentially, they may seek resolution under the Commission's law and motion procedure.

21. Competitors should be subject to symmetrical risks and protections from legal liability.

22. CLCs' liability shall be no greater than the LECs' liability for any action or inaction resulting in a claim against a LEC or CLC.

23. No competitor should have the unilateral power to terminate another carrier's service without prior notice or opportunity for proper recourse.

24. If any LEC or CLC believes another CLC is in violation of the law, it shall provide adequate notice to the CLC to afford it the opportunity to seek expedited relief before terminating service.

25. Interconnection contracts entered into under these rules are subject to Commission authority to modify or supersede certain contract terms subject to due notice and opportunity to be heard.

26. E-911 service that the CLCs will have to purchase from the incumbent LECs should remain classified as Category I service. As such, the LECs should not have any contracting ability over those services.

27. Access to E-911 service is essential for each Californian, and every CLC shall be required to provide each of its customers with access to E-911 services.

28. It is appropriate to adopt rules for interconnection contract dispute resolution and approval, E-911 service, GO 133-B